

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name <b>Board of Public Works - Calhoun County</b>	County <b>Calhoun</b>
Fiscal Year End <b>December 31, 2006</b>	Opinion Date <b>May 30, 2007</b>	Date Audit Report Submitted to State <b>June 5, 2007</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

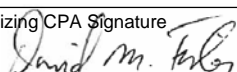
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	Not required		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) <b>Rehmann Robson</b>		Telephone Number <b>517-787-6503</b>		
Street Address <b>675 Robinson Road</b>		City <b>Jackson</b>	State <b>MI</b>	Zip <b>49203</b>
Authorizing CPA Signature 		Printed Name <b>David M. Fisher, CPA</b>		License Number <b>10337</b>

**BOARD OF PUBLIC WORKS  
COUNTY OF CALHOUN,  
MICHIGAN**

**Basic Financial Statements**

**For The Year Ended December 31, 2006**



**REHMANN ROBSON**

*Certified Public Accountants*

**BOARD OF PUBLIC WORKS  
COUNTY OF CALHOUN, MICHIGAN**

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



## INDEPENDENT AUDITORS' REPORT

May 30, 2007

To the Board of Public Works  
County of Calhoun  
Marshall, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the ***Board of Public Works of the County of Calhoun, a component unit of Calhoun County***, as of and for the year ended December 31, 2006, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Board of Public Works of the County of Calhoun. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Public Works of the County of Calhoun as of December 31, 2006, and the respective changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Department has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2007, on our consideration of the Board of Public Works of the County of Calhoun's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The combining fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

# **BASIC FINANCIAL STATEMENTS**

**BOARD OF PUBLIC WORKS  
CALHOUN COUNTY  
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET  
DECEMBER 31, 2006**

	<b>BPW/ Solid Waste</b>	<b>ECCSS # 4 Clarence Twp</b>	<b>City of Marshall 1997</b>	<b>Emmet Township 2000</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>								
Cash and cash equivalents	\$ 678,048	\$ 329,278	\$ -	\$ -	\$ -	\$ 1,007,326	\$ -	\$ 1,007,326
Accounts receivable	37,448	-	-	-	-	37,448	107,715	145,163
Lease receivable	-	-	-	-	-	-	13,025,000	13,025,000
Deferred costs	-	-	-	-	-	-	58,137	58,137
<b>Total assets</b>	<b>\$ 715,496</b>	<b>\$ 329,278</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,044,774</b>	<b>13,190,852</b>	<b>14,235,626</b>
<b>Liabilities</b>								
Accounts payable	5,874	-	-	-	-	5,874	688,955	694,829
Accrued expenditures	1,546	-	-	-	-	1,546	107,715	109,261
Due to other component unit	688,955	-	-	-	-	688,955	(688,955)	-
Long-term liabilities								
Due within one year	-	-	-	-	-	-	840,000	840,000
Due after one year	-	-	-	-	-	-	12,185,000	12,185,000
<b>Total liabilities</b>	<b>696,375</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>696,375</b>	<b>13,132,715</b>	<b>13,829,090</b>
<b>Fund Balance/Net Assets</b>								
Fund balance								
Unreserved								
Undesignated	19,121	329,278	-	-	-	348,399	(348,399)	-
<b>Total liabilities and fund balance</b>	<b>\$ 715,496</b>	<b>\$ 329,278</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,044,774</b>		
<b>Net Assets:</b>								
Restricted for debt service							387,415	387,415
Unrestricted							19,121	19,121
<b>Total net assets</b>							<b>\$ 406,536</b>	<b>\$ 406,536</b>

The accompanying notes are an integral part of these financial statements.

**BOARD OF PUBLIC WORKS  
CALHOUN COUNTY  
Reconciliation of Governmental Fund Balance Sheet  
to Statement of Net Assets**

**DECEMBER 31, 2006**

Fund balances - Governmental Funds	\$ 348,399
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds. Bonds payable and interest of various municipalities are to be repaid by the municipality	
Lease receivable	13,025,000
Accounts receivable for accrued interest	107,715
Deferred bond issue costs	58,137
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(13,025,000)
Certain liabilities, such as accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:	
Deduct - accrued interest payable	<u>(107,715)</u>
Net assets of governmental activities	<u><u>\$ 406,536</u></u>

The accompanying notes are an integral part of these financial statements.



**BOARD OF PUBLIC WORKS  
CALHOUN COUNTY  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>BPW/ Solid Waste</b>	<b>ECCSS # 4 Clarence Twp</b>	<b>City of Marshall 1997</b>	<b>Emmet Township 2000</b>	<b>Nonmajor funds</b>	<b>Total Governmental Funds</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Expenditures/Expenses</b>								
Current:								
Public works	\$228,991	\$ -	\$ -	\$ -	\$ -	\$ 228,991	\$ -	\$ 228,991
Debt service:								
Principal	-	35,000	140,000	150,000	677,000	1,002,000	(810,000)	192,000
Interest	-	21,250	134,565	144,038	398,675	698,528	5,168	703,696
<b>Total expenditures/expenses</b>	<b>228,991</b>	<b>56,250</b>	<b>274,565</b>	<b>294,038</b>	<b>1,075,675</b>	<b>1,929,519</b>	<b>(804,832)</b>	<b>1,124,687</b>
<b>Program revenues</b>								
Charges for services	24,496	-	-	-	-	24,496	-	24,496
Operating grants and contributions	193,896	56,250	274,565	294,038	1,075,675	1,894,424	(810,000)	1,084,424
<b>Total program revenues</b>	<b>218,392</b>	<b>56,250</b>	<b>274,565</b>	<b>294,038</b>	<b>1,075,675</b>	<b>1,918,920</b>	<b>(810,000)</b>	<b>1,108,920</b>
<b>Net program expenses</b>								<b>(15,767)</b>
<b>General revenues and other financing sources</b>								
Interest revenue	28,579	15,084	-	-	-	43,663	-	43,663
<b>Total general revenues</b>	<b>28,579</b>	<b>15,084</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,663</b>		
<b>Net change in fund balances</b>	<b>17,980</b>	<b>15,084</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,064</b>	<b>(33,064)</b>	
<b>Changes in net assets</b>								<b>27,896</b>
Fund Balance/Net Assets, Beginning of year	1,141	314,194	-	-	-	315,335	-	378,640
<b>Fund Balance/Net Assets, End of year</b>	<b>\$ 19,121</b>	<b>\$ 329,278</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 348,399</b>	<b>\$ -</b>	<b>\$ 406,536</b>

The accompanying notes are an integral part of these financial statements.

**BOARD OF PUBLIC WORKS  
CALHOUN COUNTY**  
**Reconciliation of the Governmental Fund Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

Net change in fund balances - Governmental Funds	\$ 33,064
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Repayment of debt principal is an expenditure in the funds but not in the statement of activities:	
Bond payments	810,000
Amortization of bond issue costs are expensed in the statement of activities but not in the funds	(5,168)
Governmental funds report payments received by other municipalities for principal debt service as revenue, but the statement of activities does not	<u>(810,000)</u>
Change in net assets of governmental activities	<u><u>\$ 27,896</u></u>

The accompanying notes are an integral part of these financial statements.

# BOARD OF PUBLIC WORKS COUNTY OF CALHOUN, MICHIGAN

## NOTES TO BASIC FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity** – These financial statements represent the financial position and the results of operations of the public works projects managed and administered by the Calhoun County Board of Public Works (BPW). These projects are considered to be a discretely presented component unit of Calhoun County (the “County” or “primary government”) and are an integral part of that reporting entity.

**Government-wide and Fund Financial Statements** – As permitted by GASB Statement No. 34, the BPW uses an alternative approach reserved for single program governments to present combined component-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to component-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation** – The component-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the BPW considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

# **BOARD OF PUBLIC WORKS COUNTY OF CALHOUN, MICHIGAN**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

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Intergovernmental charges and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received.

The government reports the following major governmental funds:

The BPW/Solid Waste capital projects fund accounts for solid waste activities in Calhoun County

The Clarence Township ECCSS#4 fund accounts for solid waste activities and the accumulation of resources for, and the payment of, interest and principal on bonded debt.

.The City of Marshall 1997 and Emmet Township 2000 are debt service funds, which account for the accumulation of resources for, and for the payment of, interest and principal on bonded debt of those municipalities.

Additionally, the BPW reports the following as non-major governmental funds:

*Debt service funds* account for the accumulation of resources for, and the payment of, interest and principal on bonded debt.

As a general rule the effect of interfund activity has been eliminated from the component-wide financial statements.

***Receivables and Payables*** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

**BOARD OF PUBLIC WORKS  
COUNTY OF CALHOUN, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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***Long-term Obligations*** – In the component-wide financial statements, long-term debt is reported as a liability. Bond discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Fund Equity*** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. At December 31, 2006, there were no reservations of fund balance.

**2. CASH AND POOLED INVESTMENTS**

At December 31, 2006, the amount of the BPW's deposits were as follows:

	<b>Carrying Amount</b>	<b>Bank Balance</b>
Insured	\$ 149	\$ 60,174
Held by Calhoun County		
Pooled Cash and checking accounts	537,902	537,847
Certificates of deposit	469,275	469,275
	<b><u>\$1,007,326</u></b>	<b><u>\$1,067,296</u></b>

State statutes authorize the BPW to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

# **BOARD OF PUBLIC WORKS COUNTY OF CALHOUN, MICHIGAN**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

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*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the BPW's deposits may not be returned. State law does not require and the BPW does not have a policy for deposit custodial credit risk. As of December 31, 2006, the entire amount of the BPW's bank balance of \$60,174 was insured by the FDIC. The amounts indicated above held by Calhoun County may be partially covered by federal depository insurance. The amount of federal depository insurance is determined for the County as a whole, but cannot be separately identified for the B.P.W.

### **3. LEASES RECEIVABLE**

The BPW has entered into various lease agreements with local governments to issue bonded debt and to manage the construction of water and sewer systems in those jurisdictions. These agreements generally terminate with the retirement of the related bond issues. Leases receivable are reported at an amount equal to the lesser of the actual bond-financed construction costs incurred to date or the outstanding bond principal. Annual lease payments under these agreements are equal to the related bond principal and interest due each year. At termination of a lease, title to the leased property is passed to the particular local governments.

Under the accrual basis of accounting and the provisions of FASB (Financial Accounting Standards Board) Statement No. 13, *Accounting for Leases*, the BPW's leases are classified as sales leases. As a result, leases receivable are recognized in the accompanying statement of net assets, whereas capital assets are not.

All lease agreements provide for the lessees to use, operate and maintain the systems, at their own expense, subject to the terms and conditions of the agreements.

# **BOARD OF PUBLIC WORKS COUNTY OF CALHOUN, MICHIGAN**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

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### **4. LONG-TERM DEBT**

General obligation bonds are issued by the County to finance construction projects managed and administered by the BPW. These bonds are direct obligations, and pledge the full faith and credit, of the County and the associated municipalities and authorities.

The following are significant details regarding the bond issues that are outstanding at December 31, 2006:

On November 3, 1997, the County of Calhoun issued \$3,215,000 in Limited Tax General Obligation Refunding Bonds (City of Marshall Water Supply System) to advance refund \$3,000,000 of outstanding 1994 Series Unlimited Tax General Obligation Bonds. This debt is due in annual installments of \$145,000 to \$220,000 through May 1, 2019, with interest ranging from 4.25% to 5.75%, payable semi-annually. The balance of the defeased bonds outstanding was \$2,300,000 at December 31, 2006.

\$3,044,606 Michigan Municipal Bond Authority (Bedford Township) 1990 Limited Tax General Obligation Bonds, dated August 28, 1990, due in annual installments of \$165,000 to \$175,000 through October 1, 2010, with interest of 2% payable semi-annually.

\$1,559,032 Michigan Municipal Bond Authority (Fredonia Township) 1991 Limited Tax General Obligation Bonds, dated September 26, 1991, due in annual installments of \$90,000 to \$100,000 through April 1, 2011, with interest of 2% payable semi-annually.

\$381,668 Michigan Municipal Bond Authority (Sheridan Township) 1992 Limited Tax General Obligation Bonds, dated September 24, 1992, due in annual installments of \$20,000 to \$25,000 through April 1, 2012, with interest of 2% payable semi-annually.

\$1,480,000 Calhoun County Water Supply System Bonds (City of Marshall) 1996 Limited Tax General Obligation Bonds, dated June 25, 1996, due in annual installments of \$60,000 to \$165,000 through May 1, 2016 with interest ranging from 5.10% to 5.75%, payable semi-annually.

**BOARD OF PUBLIC WORKS  
COUNTY OF CALHOUN, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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\$2,340,000 Calhoun County Water Supply System Bonds (Charter Township of Pennfield) 1997 Limited Tax General Obligation Bonds dated November 19, 1997, due in annual installments of \$50,000 to \$125,000 through May 1, 2032 with interest ranging from 5% to 7% payable semi-annually.

\$2,225,000 Calhoun County Sewer Disposal System Bonds (City of Marshall) 1999 Limited Tax General Obligation Bonds dated September 1, 1999, due in annual installments of \$55,000 to \$220,000 through May, 2020, with interest ranging from 5.125% to 5.2% payable semi-annually.

\$3,265,000 Calhoun County Sewer Disposal System Bonds (Charter Township of Emmet) 1999 Limited Tax General Obligation Bonds dated July 1, 2000, due in annual installments of \$150,000 to \$200,000 through May, 2021, with interest ranging from 4.75% to 6.75% payable semi-annually.

\$245,000 Calhoun County Building Authority Building Bonds (Tekonsha Township Library) 2001 Limited Tax General Obligation Bonds dated May 1, 2001, due in annual installments of \$10,000 to \$20,000 through March, 2019, with interest ranging from 4.75% to 5.2% payable semi-annually.

\$1,260,000 Calhoun County Sanitary Sewer System Refunding Bonds (Charter Township of Emmett) 2005 Bonds dated March 29, 2006, due in annual installments of \$75,000 to \$115,000 through May, 2018, with interest ranging from 3% to 4% payable semi-annually. The refunding was effected to call the existing 1993 Sanitary Sewer bonds.



# BOARD OF PUBLIC WORKS COUNTY OF CALHOUN, MICHIGAN

## NOTES TO BASIC FINANCIAL STATEMENTS

Annual debt service requirements to maturity for general obligation bonds, including interest payments are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 840,000	\$ 614,334
2008	870,000	579,187
2009	890,000	542,841
2010	980,000	505,210
2011	860,000	463,638
2012-2016	4,305,000	1,707,453
2017-2021	3,055,000	665,131
2022-2026	500,000	258,155
2027-2031	600,000	114,003
2032	125,000	3,250
	<u>\$ 13,025,000</u>	<u>\$ 5,453,202</u>

Long-term liability activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds payable	<u>\$ 13,835,000</u>	<u>\$ -</u>	<u>\$ 810,000</u>	<u>\$ 13,025,000</u>	<u>\$ 840,000</u>

The bonds described above do not include bonds payable as of December 31, 2006, for Water Supply and Sewage Disposal System Projects, issued in conjunction with the County, that are not general obligations of the County. These bonds are payable solely from the proceeds of contractual payments to be paid by the municipalities in accordance with contractual agreements. Principal and interest payments for this indebtedness was \$192,000 and \$124,575, respectively, for the year ended December 31, 2006.

**BOARD OF PUBLIC WORKS  
COUNTY OF CALHOUN, MICHIGAN**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

During the year, the BPW has interfund balances between certain funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At December 31, 2006, there were no interfund balances between the funds.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended December 31, 2006, there were no interfund transfers.

\* \* \* \* \*

# **COMBINING FINANCIAL STATEMENTS**

**BOARD OF PUBLIC WORKS  
CALHOUN COUNTY  
NONMAJOR DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET**

**DECEMBER 31, 2006**

	<b>Homer Village #5</b>	<b>Pennfield/ Convis #2B</b>	<b>Emmet Township #1</b>	<b>Pennfield Township #6</b>	<b>Athens Village #1</b>	<b>Bedford Township #2C</b>
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fund Balances</b>						
Unreserved - undesignated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

<b>Fredonia Township #12</b>	<b>Sheridan Township # 13</b>	<b>City of Marshall</b>	<b>Pennfield Township 1997</b>	<b>City of Marshall 1999</b>	<b>Teskonsha Library 2001</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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**BOARD OF PUBLIC WORKS  
CALHOUN COUNTY  
NONMAJOR DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Homer Village #5</b>	<b>Pennfield/ Convis #2B</b>	<b>Emmet Township #1</b>	<b>Pennfield Township #6</b>	<b>Athens Village #1</b>	<b>Bedford Township #2C</b>
<b>Revenue</b>						
Intergovernmental revenue	\$ 62,400	\$ 118,125	\$ 117,969	\$ 63,000	\$ 16,800	\$ 182,000
<b>Total revenue</b>	62,400	118,125	117,969	63,000	16,800	182,000
<b>Expenditures</b>						
Principal retirement	40,000	75,000	75,000	30,000	12,000	165,000
Interest and fiscal charges	22,400	43,125	42,969	33,000	4,800	17,000
<b>Total expenditures</b>	62,400	118,125	117,969	63,000	16,800	182,000
<b>Net change in fund balances</b>	-	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>Fredonia Township #12</b>	<b>Sheridan Township # 13</b>	<b>City of Marshall # 16</b>	<b>Pennfield Township 1997</b>	<b>City of Marshall 1999</b>	<b>Teskonsha Library 2001</b>	<b>Total</b>
\$ 100,400	\$ 22,900	\$ 110,164	\$ 146,844	\$ 115,033	\$ 20,040	\$ 1,075,675
100,400	22,900	110,164	146,844	115,033	20,040	1,075,675
90,000	20,000	75,000	30,000	55,000	10,000	677,000
10,400	2,900	35,164	116,844	60,033	10,040	398,675
100,400	22,900	110,164	146,844	115,033	20,040	1,075,675
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

May 30, 2007

To the Board of Public Works  
County of Calhoun  
Marshall, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the ***Board of Public Works of the County of Calhoun, a component unit of Calhoun County***, a component unit of Calhoun County, Michigan, as of and for the year ended December 31, 2006, and have issued our report thereon dated May 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Board of Public Work's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board of Public Work's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board of Public Work's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board of Public Work's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Board of Public Work's financial statements that is more than inconsequential will not be prevented or detected by the Board of Public Work's internal control.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Board of Public Work's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we noted other matters involving the internal control over compliance, financial reporting and/or operating efficiency that we have reported to management of Calhoun County Board of Public Works in a separate letter dated May 30, 2007.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board of Public's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Public Works, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.